

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
Manchester-Nashua Cellular Telephone, L.P.	)	
NH #1 Rural Cellular, Inc.	)	
USCOC of New Hampshire RSA #2, Inc.	)	
	)	
For Designation as an Eligible	)	
Telecommunications Carrier	)	
In the State of New Hampshire	)	
To:		Wireline Competition Bureau

**REPLY COMMENTS**

Manchester-Nashua Cellular Telephone, L.P., NH #1 Rural Cellular, Inc., USCOC of New Hampshire RSA #2, Inc. (collectively, “U.S. Cellular”), by its counsel, hereby submits its Reply Comments pursuant to the Public Notice issued by the Wireline Competition Bureau (“Bureau”) seeking comment on U.S. Cellular’s petition for designation as an eligible telecommunications carrier (“ETC”) in the state of New Hampshire (“Petition”).<sup>1</sup> The New Hampshire Rural Carrier Group (“RCG”), TDS Telecommunications Corp. (“TDS”), Verizon, and the Cellular Telecommunications and Internet Association (“CTIA”) filed comments. As explained below, U.S. Cellular satisfies the criteria for designation as an ETC throughout its requested service area, and no commenter has provided any reason compelling delay or denial of U.S. Cellular’s Petition.

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<sup>1</sup> See Public Notice, *Parties are Invited to Comment on Petitions for Eligible Telecommunications Carrier Designations, Pleading Cycle Established*, DA 04-1445 (rel. May 21, 2004)(“Public Notice”).

## I. CALLS FOR DELAY HAVE NO MERIT AND MUST BE REJECTED

Both RCG and TDS wrongly suggest that ongoing proceedings to consider changes to the Commission's ETC-related rules warrant a suspension of all competitive ETC designations. RCG Comments at pp. 3-4; TDS Comments at p. 7. As a justification for suspending designations, TDS points to the fact that the Federal-State Joint Board on Universal Service ("Joint Board") has recommended permissive guidelines for states to follow in evaluating ETC petitions. However, those guidelines would merely advise states to apply essentially the same framework that the FCC applied in its *Virginia Cellular* and *Highland Cellular* orders.<sup>2</sup> Thus, for example, the possible adoption of a guideline urging states to consider whether the petitioner is willing and able to step in as the sole ETC if an ILEC withdraws (pp. 2-3) merely enunciates the standard that the FCC has consistently applied for several years.<sup>3</sup> The FCC already applies a rigorous, fact-specific analysis to evaluate the public interest, and there is no reason to believe the analysis will change significantly as a result of the Joint Board's recommendations.

Moreover, TDS's assertion that U.S. Cellular may claim to be "grandfathered" under the old rules (at pp. 6-7) is completely irrelevant to U.S. Cellular's qualifications under the current rules. Whether any competitive ETC can be "grandfathered" is an issue properly addressed in the ongoing rulemaking proceeding in CC Docket 96-45.

U.S. Cellular could not agree more with TDS's contention that the FCC "is well-positioned to address the important issues concerning the ETC designation process in a

**Deleted:** to the extent the qualifications change significantly,

<sup>2</sup> *Virginia Cellular, LLC*, 19 FCC Rcd 1563 (2004) ("*Virginia Cellular*"); *Highland Cellular, Inc.*, FCC 04-37 (rel. Apr. 12, 2004) ("*Highland Cellular*").

<sup>3</sup> See, e.g., *Western Wireless Corp., Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming*, 16 FCC Rcd 48, 56 (2000) ("*Western Wireless*"), Order on Reconsideration, 16 FCC Rcd 19144; *Guam Cellular and Paging, Inc. d/b/a Guamcell Communications*, CC Docket No. 96-45, DA 02-174 (C.C.B. rel. Jan. 25, 2002) at ¶ 17 ("*Guamcell*"); *Western Wireless Corp., Petition for Designation as an Eligible Telecommunications Carrier for the Pine Ridge Reservation in South Dakota*, 16 FCC Rcd 18133, 18139 (2001) ("*Pine Ridge*").

comprehensive rulemaking proceeding in which all interested parties have an opportunity to participate, rather than on a piecemeal basis in connection with specific petitions for ETC designation.” TDS Comments at p. 4. However, as TDS notes, the FCC has made clear its intent to continue processing competitive ETC petitions while the possibility of rule changes is being considered. *Id.* at p. 7. TDS’s assertion that conditions have “changed” since Virginia Cellular and Highland Cellular is simply false. The FCC released the *Highland Cellular* order *after* the release of the *Recommended Decision*, and the FCC first referred the issues to the Joint Board in November 2002. Numerous competitive ETC designations have been made since that time. A decision to put all ETC petitions on hold based on the possibility that the applicable rules will be changed would be “similar to a judge dismissing a complaint based on a federal statute because he has been informed that Congress is conducting hearings on whether to change the statute.” *AT&T Co. v. FCC*, 978 F.2d 727, 732 (D.C. Cir. 1992). Clearly, there will always be the possibility that a given rule will be changed. The only lawful response is to apply existing rules and policies until those changes occur.

## **II. U.S. CELLULAR HAS AMPLY DEMONSTRATED THAT IT IS QUALIFIED TO BE AN ETC AND THAT ITS DESIGNATION IS IN THE PUBLIC INTEREST**

### **A. U.S. Cellular Has Clearly Met the Requirements Regarding State Jurisdiction and Offering the Supported Services.**

In its comments, CTIA correctly points out that the New Hampshire Public Service Commission previously provided an order stating that it did not have jurisdiction to consider a CMRS carrier’s petition for ETC status. *See* CTIA Comments at pp. 2-3. Because the state commission has provided an “affirmative statement” that CMRS carriers such as U.S. Cellular are not subject to the state’s jurisdiction for ETC designation purposes, the FCC has jurisdiction

to consider U.S. Cellular's Petition under Section 214(e)(6) of the Act. No commenter disputed U.S. Cellular's showing in this regard.

Similarly, no commenter disputed U.S. Cellular's capability and commitment to offer and advertise the supported services listed in Section 54.101 of the FCC's rules. Accordingly, the Commission should find that U.S. Cellular satisfies these elements of the ETC designation showing.

**B. U.S. Cellular Has Made Clear and Verifiable Commitments to Provide Service Upon Reasonable Request and to Build Out Its Network.**

RCG makes the perplexing claim that U.S. Cellular's commitment to provide service to consumers upon reasonable request is "empty and sterile". RCG Comments at pp. 5-6. Contrary to RCG's assertion, the obligation to provide service upon reasonable request does not occur in a vacuum; it refers to the six-step process for provisioning service that was approved by the FCC in its orders designating Virginia Cellular and Highland Cellular as ETCs.<sup>4</sup> Identical or near-identical commitments have been approved by several state commissions as well.<sup>5</sup> Accordingly, there can be no doubt that U.S. Cellular's commitment to respond to consumer requests satisfies all applicable requirements.

Just last week, the Oregon Public Utility Commission designated an affiliate of U.S. Cellular as an ETC in Oregon, including areas served by rural ILECs. Following full evidentiary hearing, including supplemental briefing on the effect of the FCC's Virginia Cellular and Highland Cellular decisions, the commission issued a lengthy decision covering all of the issues.

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<sup>4</sup> *Virginia Cellular, supra; Highland Cellular, supra.*

<sup>5</sup> *See, e.g.,* Alaska Digitel, L.L.C. Order Granting Eligible Telecommunications Carrier Status and Requiring Filings, Docket U-02-39, Order No. 10 (August 28, 2003); Smith Bagley, Inc., Case No. 03-00246-UT, Recommended Decision of the Hearing Examiner (N.M. Pub. Reg. Comm'n, June 14, 2004); RCC Minnesota, Inc., Docket No. UM-1083 (Or. PUC, June 24, 2004); Easterbrooke Cellular Corp., Case No. 02-1118-T-PC (W.V. PSC, May 29, 2003) (effective June 22, 2003).

Notably, the Commission accepted U.S. Cellular's commitment to serve all consumers upon reasonable request, the six step commitment for provisioning service to requesting customers, and virtually every other issue in play in the instant proceeding. A copy is attached hereto for the Commission's reference.

Moreover, RCG and TDS provide no support for their suggestion that competitive ETCs are required to commit to a "firm, comprehensive build-out schedule". RCG Comments at p. 6. Rather, the requirement is that the carrier use all high-cost support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C. Section 254(e). There is no requirement that all or a specific portion of an ETC's support be dedicated to constructing new cell sites, because rural consumers may be equally if not better served by digital upgrades, increased channel capacity, or other service improvements. As the Vermont Public Service Board recently emphasized in an order granting ETC status to a CMRS carrier last November:

While the Board believes that investment in capital construction is a useful indicator of an ETC's progress toward ubiquity of coverage, we do not believe that it is critical to demonstrating compliance with ETC certification. The Board agrees with RCC that it is also important that support be used to expand the volume of calls that the company can manage as customers access the network from their homes, cars or work places. An ETC's investments in service quality and service overall for existing customers are as necessary to serving the public interest as investments in the geographic expansion of coverage. Therefore . . . RCC only will be required to provide evidence that it uses universal service support for the provision, maintenance, and upgrading of facilities and services for which the support was intended, in the same manner as wireline ETCs.<sup>6</sup>

Although U.S. Cellular's commitment is ultimately to use support only for the "provision, maintenance, and upgrading of facilities and services," U.S. Cellular has committed to build new cell sites consistent with the commitments set forth in *Virginia Cellular* to extend or

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<sup>6</sup> RCC Atlantic, Inc. d/b/a Unicel, Docket No. 5918 (Vt. Pub. Serv. Bd., Nov. 14, 2003) at p. 48.

improve service to consumers in rural areas.<sup>7</sup> Similar to Virginia Cellular's plans, U.S.

Cellular's plans "may evolve over time as it responds to consumer demand."<sup>8</sup>

Contrary to TDS's assertion, *Virginia Cellular* does not require an ETC petitioner to "commit specifically to expand and improve its network to residences that are not currently served by the wireline network". TDS Comments at pp. 8-9. TDS cites no statute, rule or order that requires a carrier to construct network facilities to an area where no specific request for service has come from. Nor was Virginia Cellular required to demonstrate that its build-out plan would provide coverage to areas lacking wireline service. Virginia Cellular properly indicated its readiness to respond to requests from customers to the extent they may not be reached by wireline networks.<sup>9</sup> As the Commission has recognized, wireless service offers inherent advantages over wireline.<sup>10</sup> Thus, a wireless ETC applicant need not make a special showing that wireline service is "inadequate".

Finally, RCG fails to provide any support for its baseless suggestion that U.S. Cellular will use high-cost support in an unlawful manner. Contrary to RCG's claim, the USF spending requirement is not "service-area-specific." RCG Comments at p. 6. Indeed, such a requirement would be absurd and could not possibly be competitively neutral. This is especially so when

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<sup>7</sup> See *Virginia Cellular*, *supra*, 19 FCC Rcd at 1571. The parameters of U.S. Cellular's proposed construction are in development, and U.S. Cellular will file a supplement containing locations and timeframes within the next several days.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 1576, n.88.

<sup>10</sup> *Id.* at 1576 ("For example, the mobility of telecommunications assists consumers in rural areas who often must drive significant distances to places of employment, stores, schools, and other critical community locations. In addition, the availability of a wireless universal service offering provides access to emergency services that can mitigate the unique risks of geographic isolation associated with living in rural communities. Virginia Cellular also submits that, because its local calling area is larger than those of the incumbent local exchange carriers it competes against, Virginia Cellular's customers will be subject to fewer toll charges.")(footnote omitted). See also Separate Statement of Chairman Michael K. Powell ("we recognize the unique value that mobile services provide to rural consumers").

wireless facilities often provide service to a wide area. The FCC's rules specifically require a competitive ETC to use all support only for the provision, upgrading and maintenance of services and facilities in the designated ETC service area. 47 C.F.R. Section 54.7. However, not all facilities need to be located within the ETC service area.<sup>11</sup> A carrier using wireless technology may construct a cell site that encompasses multiple rural ILEC service areas. Therefore, parsing out expenditures on a study area by study area basis would serve no useful purpose.

**C. ILEC Commenters Have Failed to Demonstrate that Harm Would Result From U.S. Cellular's Designation.**

The commenters do not legitimately question U.S. Cellular's strong commitments that satisfy *Virginia Cellular* and demonstrate that the public interest would be served by a grant of its Petition. Similarly, no commenter has made any supported showing that consumers would be harmed by U.S. Cellular's designation.

U.S. Cellular's designation would have only a minimal impact on the size of the Universal Service Fund, *see* Petition at p. 11, and no commenter disputes this contention. Rather, the ILEC commenters' concern appears to be with the cumulative effect of designating all potential competitive ETCs throughout the country. In response to RCG's and TDS's professed concerns about the sustainability of the high-cost fund, U.S. Cellular has no quarrel with the notion that, all else being equal, a smaller fund is better than a larger fund. The problem is the suggestion by RCG and TDS that the way to control fund growth is to curtail competitive ETC designations. This position ignores the fact that rural wireline ILECs continue to receive

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<sup>11</sup> *See Federal-State Joint Board on Universal Service, Report and Order*, 12 FCC Rcd 8776, 8874-75 (1997) ("First Report and Order") ("we conclude that our determination not to impose restrictions based solely on the location of facilities used to provide the supported services is competitively neutral in that it will accommodate the various technologies and entry strategies that carriers may employ as they seek to compete in high cost areas.")

the vast majority of high-cost universal service funds and that the size of the fund has increased significantly because the rural ILECs requested (and were granted) a higher level of funding from the FCC in 2001.<sup>12</sup> The additional funding received by rural ILECs through the “modified embedded cost” funding mechanism far outstrips any impact on the fund caused by CETCs generally or wireless CETCs specifically.

Moreover, there is simply no merit to TDS’s assertion that continued competitive ETC designations would “force the Commission later to take more aggressive steps” to curb fund growth. TDS Comments at p. 5. There are many reasons for fund growth that have nothing to do with competitive ETCs (*e.g.*, ILEC study area waivers, inefficient investments by rural wireline monopolies, the highly-publicized irregularities in the Schools and Libraries Program), and the FCC is acting on numerous fronts to control that growth – whether through changes in the USF contribution methodology or the way in which all ETCs receive support. With those ongoing proceedings, the FCC is more than adequately equipped to manage fund growth. Meanwhile, the FCC must fulfill its statutory mandate to designate qualified carriers as ETCs and promote competitive entry in accordance with the 1996 Act.

**D. RCG’s Statements Regarding Advanced Services Are Unfounded, and, In Any Event, Irrelevant.**

RCG complains of “apparent inaccuracies” in U.S. Cellular’s Petition, and points specifically to U.S. Cellular’s mention of the now-familiar notion that rural areas have long trailed urban areas in access to advanced services, which RCG appears to define as high-speed

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<sup>12</sup> See *Federal-State Joint Board on Universal Service, Fourteenth Report and Order, Twenty-second Order on Reconsideration, and Further Notice of Proposed Rulemaking*, 16 FCC Rcd 11244 (2001) (“*Fourteenth Report and Order*”)(“we estimate that the modified embedded cost mechanism will result in an increase in rural carrier support of approximately \$1.26 billion over the five-year period”).



data services.<sup>13</sup> RCG Comments at p. 4. RCG's argument, of course, is a red herring, since high-speed data service is not a supported service and thus cannot be required of an ETC applicant. Nonetheless, RCG's statements in this regard are worth addressing because they betray the failure of rural ILECs to provide urban consumers access to a similar array of services available to consumers in urban areas, as envisioned by the 1996 Act. The evidence, in fact, supports U.S. Cellular's position and only underscores the need for increased competition in rural areas.

To U.S. Cellular, it is self-evident that rural consumers continue to trail their urban counter-parts in terms of access to mobile wireless and advanced high-speed data services. Both the FCC and Congress have repeatedly attempted to enact programs or pass legislation to address these problems.

RCG cites self-serving reports prepared by NTCA and OPASTCO, while ignoring the FCC's findings that support U.S. Cellular's position that rural America continues to suffer. For example, according to the Bureau's High-Speed Services for Internet Access study released last month, 26.5% of zip codes in areas with a population density of fewer than 6 persons per square mile do not have even one subscriber to high-speed data service,<sup>14</sup> while the corresponding figure for areas with more than 3,147 persons per square mile is only 1.1%.<sup>15</sup> While the gap has shrunk in recent years, it is undeniable that there has been a significant lag dating back to 1999, the earliest year studied in the report.

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<sup>13</sup> RCG fails to mention that mobile wireless service is an advanced service to consumers who are relegated to wireline telephony.

<sup>14</sup> According to the NTCA report cited by RCG, the "population density in most member service areas is in the one to five customers per square mile range." NTCA 2003 Broadband Survey Report at p. 5 ("NTCA Report").

<sup>15</sup> See "High-Speed Services for Internet Access: Status as of December 31, 2003" (I.A.D., Wireline Comp. Bur., June 2004) at Table 14. The report can be viewed on the FCC's web site at <http://www.fcc.gov/wcb/iatd/recent.html>.

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Moreover, the NTCA and OPASTCO reports are unreliable and do not stand for what RCG claims they do. With response rates of only about a third of those polled,<sup>16</sup> the reports are likely to be heavily skewed toward those companies that had the ability and inclination to respond positively to a survey about broadband service deployment. Even with this bias, the results are not favorable for RCG's position. OPASTCO defines "advanced services" as providing access at a rate of at least 200 kilobits per second (kbps) in both directions. *See* OPASTCO Press Release at p. 1. According to the NTCA Report, only 8% of customers in the respondents' service areas subscribe to service with speeds of 200 to 500 kbps. NTCA Report at p. 3. The take rates for 1 megabit per second (Mbps) and 3 Mbps service are only 2% each. *See id.* Given these numbers, the cited reports provide no support at all for RCG's assertion that "rural independent customers receive advanced telecommunications services and innovative services at timelines that far exceed urban rates." RCG Comments at p. 5.

The likely reason for the low take rates for advanced services offered by rural ILECs is their inability to offer high-speed service at prices that are attractive to consumers. According to the NTCA Report, its survey respondents charge an average of \$44.53 per month for DSL service. Northland Telephone Company, a member of RCG, offers DSL with approximate speeds of 256 kbps upstream and 768 kbps downstream for \$42.95 per month.<sup>17</sup> Meanwhile, consumers in suburban and urban areas appear to get more bang for their buck. Verizon, for example, is currently offering DSL service with approximate speeds of 320 kbps for \$29.95 per month.<sup>18</sup>

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<sup>16</sup> *See* NTCA Report at p. 6; OPASTCO Press Release, "New Survey Shows OPASTCO Rural Telcos Make Advanced Services Widely Available" (rel. May 10, 2004) ("OPASTCO Press Release").

<sup>17</sup> *See* [http://www.fairpointne.com/internet/dsl\\_connex.php](http://www.fairpointne.com/internet/dsl_connex.php).

<sup>18</sup> *See* <http://www22.verizon.com/forhomedsl/channels/dsl/package+price.asp>.

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One reason for this disparity is the absence or near-absence of competition in NTCA and RCG members' service areas. While 76% of NTCA's survey respondents indicated they face competition for high-speed services – likely an unrealistically high number, given the low response rate of the NTCA survey – 61% of those claiming to face competition said they only face competition in cities and towns. *See* NTCA Report at pp. 8-9. Given the lack of competition in more rural areas, rural ILECs are free to roll out service aggressively in those areas to lock up market share. Yet, as indicated by NTCA members' 8% take rate for relatively low-end advanced services, this is clearly not happening.<sup>19</sup> As the Commission has repeatedly emphasized, the answer is to enable carriers using wireless and other alternative technologies to succeed where wireline has failed.<sup>20</sup> As CTIA emphasizes, designation of USCC will fulfill this goal by “increasing the availability of new, competitively-priced services and technologies in New Hampshire communities.” CTIA Comments at p. 6. U.S. Cellular is ready, willing and able to take on this challenge. Its customer focus is predominantly rural and its technology choice (CDMA) will enable it to deliver high-speed data over its voice network.

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<sup>19</sup> *See In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, Third Report*, 17 FCC Rcd 2844, 2888 (2002) (“Despite the upward trend in subscription rates for rural communities, we note that a positive correlation persists between population density and the presence of high-speed subscribers. In addition, there continues to be a significant disparity in access to advanced services between those living in rural population centers and those living in sparsely-populated outlying areas. As a result, we believe that it is important to closely monitor the availability of advanced services for rural Americans, especially those living outside of the rural population centers, in order to ensure that they receive timely access to advanced services.”)

<sup>20</sup> *See id.* at 2891 (“There is evidence that emerging technologies and providers will develop into viable alternatives for segments of the rural community that remain unserved.”). *See also In the Matter of Amendment of Part 2 of the Commission's Rules to Allocate Spectrum Below 3 GHz for Mobile and Fixed Services to Support the Introduction of New Advanced Wireless Services, Including Third Generation Wireless Systems, Notice of Proposed Rulemaking and Order*, 16 FCC Rcd 596 (2001).

### III. CONCLUSION

For the reasons stated above, U.S. Cellular requests that the Commission promptly grant its Petition.

Respectfully submitted,

**Manchester-Nashua Cellular Telephone, L.P.**  
**NH #1 Rural Cellular, Inc.**  
**USCOC of New Hampshire RSA #2, Inc.**

By: \_\_\_\_\_/S/\_\_\_\_\_  
David A. LaFuria  
Steven M. Chernoff  
Lukas, Nace, Gutierrez & Sachs, Chtd.  
1111 Nineteenth Street, N.W.  
Suite 1200  
Washington, D.C. 20036

July 6, 2004

**CERTIFICATE OF SERVICE**

I, Kimberly Verven, a secretary in the law office of Lukas, Nace, Gutierrez & Sachs, hereby certify that I have, on this 6<sup>th</sup> day of July, 2004, placed in the United States mail, first-class postage pre-paid, a copy of the foregoing *Reply Comments* filed today to the following:

Gerard J. Waldron  
Mary Newcomer Williams  
Covington & Burling  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2401  
Attorneys for TDS Telecom

Michael Altschul  
Senior Vice President & General Counsel  
CTIA – THE WIRELESS ASSOCIATION™  
1400 16<sup>th</sup> Street, N.W.  
Suite 600  
Washington, D.C. 20036

Paul Garnett  
Director, Regulatory Policy  
CTIA – THE WIRELESS ASSOCIATION™  
1400 16<sup>th</sup> Street, N.W.  
Suite 600  
Washington, D.C. 20036

Manny Staurulakis, President  
John Staurulakis, Inc.  
6315 Seabrook Road  
Seabrook, MD 20706  
On behalf of New Hampshire Independents

Anita Cheng, Assistant Chief  
Telecommunications Access Policy Division  
Wireline Competition Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 5-A445  
Washington, D.C. 20554

Thomas Buckley  
Wireline Competition Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 5-C360  
Washington, D.C. 20554

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/S/  
Kimberly Verven